



Commonwealth of Kentucky
Environmental and Public Protection Cabinet
Public Service Commission

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PSC APPROVES KENTUCKY POWER CO. ENTRY INTO REGIONAL TRANSMISSION ORGANIZATION

FRANKFORT, Ky. – (May 19, 2004) The Kentucky Public Service Commission (PSC) today approved the application of the Kentucky Power Company to transfer control of its major transmission lines to PJM Interconnection, LLC, (PJM) a regional transmission organization.

Kentucky Power is a unit of American Electric Power Company (AEP). It serves about 175,000 customers in eastern Kentucky.

PJM controls transmission facilities and operates a wholesale electric market in six states and the District of Columbia. It is one of several regional transmission organizations (RTOs) created as a result of industry restructuring overseen by the Federal Energy Regulatory Commission (FERC).

The PSC reached its decision after the parties to the case filed a stipulation, following the presentation of new evidence concerning the costs and benefits of Kentucky Power's membership in the Pennsylvania-based RTO. The stipulation also clarified how PJM's operating rules would mesh with Kentucky laws, particularly a statute that requires utilities in the state to give priority to the "native load" (customers in their service territories) in the event of an emergency on the transmission system.

The stipulation affirms the PSC's authority over Kentucky Power's retail rates, the commission noted in its order. "This affirmation of this Commission's authority, coupled with the voluntary nature of PJM's energy market for meeting Kentucky Power's native load energy requirements, provides adequate assurances that Kentucky Power's retail energy costs will continue to be fair, reasonable, and relatively stable over time, and not subject to market price variations," the PSC said.

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The PSC originally had rejected Kentucky Power's application to join PJM. In an order issued July 17, 2003, the PSC said that the proposed transfer would not be in the public interest because it would impose costs on Kentucky Power ratepayers – who now enjoy some of the lowest rates in the nation - without providing demonstrable benefits.

Kentucky Power and PJM asked the PSC to reconsider its decision and allow new evidence to be presented. The PSC granted the request and allowed AEP to submit a new cost-benefit analysis that was specific to Kentucky.

Both the Kentucky Office of Attorney General and the Kentucky Industrial Utility Consumers, a group representing major industrial electric customers, had initially asked the PSC to deny the Kentucky Power application. They dropped their objections and joined in the stipulation after the new information was presented by AEP and PJM.

After the PSC initially denied Kentucky Power's entry into PJM, the FERC moved to override the state action. In November, the FERC issued a preliminary finding that actions taken by the PSC and, separately, the Commonwealth of Virginia had violated federal law by blocking AEP's membership in PJM. That issue is now pending a final decision by the FERC.

However, the PSC now will seek to be dismissed from the FERC proceeding on the grounds that today's order renders it moot. If the FERC does not grant the request, today's order will not take effect and the case will continue.

The commission's order and other documents in the case are available on the PSC Web site, psc.ky.gov. The case number is 2002-00475.

The PSC is an agency within the Environmental and Public Protection Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in the Commonwealth of Kentucky and has approximately 110 employees.